

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

Section 5.1. *Continued Corporate Existence and Vesting of Assets in Reorganized Mpower Holding and Reorganized MCC*

Each of Mpower Holding and MCC shall, as Reorganized Mpower Holding and Reorganized MCC, continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under the laws of the State of Delaware and the laws of the State of Nevada, respectively, and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law. Except as otherwise provided in the Plan or any agreement, instrument or indenture relating thereto, on or after the Effective Date, all property of the Estate of Mpower Holding, and any property acquired by such Debtor or Reorganized Mpower Holding under the Plan, shall vest in Reorganized Mpower Holding free and clear of all Claims, Liens, charges or other encumbrances and Equity Interests. Except as otherwise provided in the Plan or any agreement, instrument or indenture relating thereto, on or after the Effective Date, all property of the Estate of MCC, and any property acquired by such Debtor or Reorganized MCC under the Plan, shall vest in Reorganized MCC free and clear of all Claims, Liens, charges or other encumbrances and Equity Interests. On and after the Effective Date, the Reorganized Debtors may operate their respective businesses and may use, acquire or dispose of property and compromise or settle any Claims or Equity Interests, without supervision or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

Section 5.2. *Cancellation of Notes, Instruments, Common Stock and Stock Options*

On the Effective Date, except to the extent provided elsewhere in the Plan or the Confirmation Order, and provided that the treatments provided for herein and the distributions contemplated by Article VII hereof are made, (a) all notes, instruments, certificates, guaranties and other documents evidencing the Mpower Holding 2010 Notes; (b) all Mpower Holding Preferred Stock Interests, including all issued and outstanding shares of preferred stock of such Debtor, shall be canceled and deemed terminated; (c) all Mpower Holding Common Stock Interests, including all issued and outstanding shares of common stock of Mpower Holding shall be canceled and deemed terminated, and (d) all options, warrants, conversion, privilege or other legal or contractual right to acquire any Mpower Holding Common Stock Interests shall be canceled and deemed terminated. On the Effective Date, except to the extent provided in Section 7.2 or otherwise in the Plan, any indenture relating to any of the foregoing, including, without limitation, the Mpower Holding 2010 Notes Indenture shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code.

Section 5.3. *Issuance of New Securities; Execution of Related Documents*

On or as soon as reasonably practicable after the Effective Date, Reorganized Mpower Holding, in accordance with the terms of the Plan, shall issue, for the benefit of holders of Mpower Holding 2010 Note Claims, Mpower Holding Preferred Stock Interests, and Mpower Holding Common Stock Interests, sixty-five million (65,000,000) shares of Reorganized Mpower Holding Common Stock to be distributed as set forth in Article III of the Plan. All Plan Documents and/or any other agreement entered into or instrument issued or in connection with any of the foregoing or any other Plan Document, shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto and shall be deemed to become effective simultaneously without any further order of the Bankruptcy Court.

Section 5.4. *Release of Liens and Perfection of Liens*

Except as otherwise provided in the Plan or in any contract, instrument or other agreement or document entered into in connection with the consummation of the Plan: (a) each Holder of (i) a Secured Claim, (ii) a Claim that is purportedly secured; and/or (iii) a judgment, mechanics or similar lien, shall on or immediately before the Effective Date: (x) turn over and release to the Reorganized Debtors any and all property of the Debtors that secures or purportedly secures such Claim, as they pertain to the properties currently owned or leased by the Debtors or such liens shall automatically, and without further action by the Debtors or Reorganized Debtors, be deemed released;

and (y) execute such documents and instruments as the Reorganized Debtors request to evidence such Claim Holder's release of such property or lien; and (b) on the Effective Date, all right, title and interest in any and all property of the Debtors' Estates shall be transferred to the Reorganized Debtors free and clear of all Claims and Interests, including, without limitation, liens, escrows, charges, pledges, encumbrances and/or security interests of any kind. No distribution hereunder shall be made to or on behalf of any Claim Holder unless and until such Holder executes and delivers to the Debtors or Reorganized Debtors such release of liens or otherwise turns over and releases such Cash, pledge, or other possessory liens. Any such Holder that fails to execute and deliver such release of liens within 120 days of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors or their assets or property in respect of such Claim and shall not participate in any distribution hereunder. Notwithstanding the immediately preceding sentence, any such Holder of a Disputed Claim shall not be required to execute and deliver such release until such time as the Claim is Allowed or Disallowed.

Section 5.5. *Corporate Governance, Directors and Officers, and Corporate Action*

(a) *Amended and Restated Certificates of Incorporation.* On or as soon as reasonably practicable after the Effective Date, Reorganized Mpower Holding shall file the Amended Mpower Holding Certificate of Incorporation with the Secretary of the State of Delaware in accordance with sections 102 and 103 of the Delaware General Corporation Law. On or as soon as reasonably practicable after the Effective Date, Reorganized MCC shall file the Amended MCC Certificate of Incorporation with the Secretary of the State of Nevada in accordance with sections 78.385, 78.390 and 78.403 of the Nevada General Corporation Law. Each of the Amended Certificates of Incorporation will, among other things, prohibit the issuance of nonvoting equity securities or member interests to the extent required by section 1123(a) of the Bankruptcy Code. The Amended Mpower Holding Certificate of Incorporation shall provide that the number of authorized shares of Reorganized Mpower Holding Common Stock shall be one billion (1,000,000,000) and provide that the par value of the Reorganized Mpower Holding Common Stock shall be \$0.001 per share. The Amended MCC Certificate of Incorporation shall provide that the number of authorized shares of Reorganized MCC Common Stock shall remain at one thousand (1,000), par value \$0.01 per share. After the Effective Date, each of the Reorganized Debtors may amend and restate their Amended and Restated Certificates of Incorporation and other constituent documents as permitted by the Delaware General Corporation Law and Nevada General Corporation Law, as applicable.

(b) *Directors and Officers of the Reorganized Debtors.* Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the initial officers of the Reorganized Debtors shall be the officers of the Debtors immediately prior to the Effective Date. Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, a total of seven directors, one director to be the Chief Executive Officer of Reorganized Mpower Holding, one director to be designated by Mpower Holding, four directors to be designated by the *Ad Hoc* Committee, (the "Mpower Holding 2010 Noteholder Designees"), and one director to be designated by a Mpower Preferred Stockholder Group Majority (the "Mpower Holding Preferred Stockholder Designee"), shall serve as the initial directors of Reorganized Mpower Holding; *provided, however*, that Holders of Mpower Holding Class 6 Claims shall only have the right to designate such director to the extent that Mpower Holding Class 6 accepts the Plan. If Holders of Mpower Holding Class 6 Claims reject the Plan, then the Mpower Holding 2010 Noteholder Designees shall consist of five directors and there shall not be any Mpower Holding Preferred Stockholder Designee. At least one of the Mpower Holding 2010 Noteholder Designees shall satisfy the National Association of Securities Dealers' qualifications to serve on the Audit Committee of the Reorganized Mpower Holding's Board of Directors. The names of the Mpower Holding 2010 Noteholder Designees and the Mpower Holding 2010 Preferred Stockholder Designee, if any, shall be provided by counsel to the *Ad Hoc* Committee and counsel to one of the members of the Mpower Holding Preferred Stockholder Group, respectively, in a written authorized letter to Mpower Holding's counsel on or before five days prior to the hearing on the adequacy of the Disclosure Statement in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017. The Mpower Holding 2010 Noteholder Designees and the Mpower Holding 2010 Preferred Stockholder Designee, if any, will serve for a term of two years (the "Initial Term") and the Amended and Restated Mpower Holding Certificate of Incorporation shall provide that such designees cannot be removed without "cause" during their Initial Term. Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, the initial Board of Directors of Reorganized Mpower Holding shall promptly appoint the members of the Board of Directors of Reorganized MCC. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose, on or prior to the Confirmation Date, the identity and affiliations of any Person proposed to serve on the initial Board of Directors

of the Debtors (which persons shall have been designated as described above) or employed as an officer of the Reorganized Debtors, and, to the extent such Person is an insider, the nature of any compensation for such Person. The classification and composition of the board of directors of each of the Reorganized Debtors shall be consistent with the Amended Certificates of Incorporation and the Amended By-Laws. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the Amended Certificates of Incorporation and Amended and Restated By-Laws, the other constituent documents of the Reorganized Debtors, the Delaware General Corporation Law and the Nevada General Corporation Law, as applicable.

(c) *Corporate Action.* On the Effective Date, all actions contemplated by the Plan shall be authorized and approved in all respects. On the Effective Date, all matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors. On the Effective Date, the appropriate officers of the Reorganized Debtors and members of the boards of directors of the Reorganized Debtors are authorized and directed in the name of and on behalf of the Reorganized Debtors to issue, execute, deliver, file or record the agreements, documents, contracts, securities, instruments, releases and other agreements, and take such other actions as may be necessary, to effectuate and further evidence the terms and conditions of the Plan.

Section 5.6. Sources of Cash for Plan Distribution

All Cash necessary for the Reorganized Debtors to make payments pursuant to the Plan shall be obtained from existing Cash balances, the operations of the Debtors or Reorganized Debtors, or post-Confirmation Date borrowings and/or financing. The Reorganized Debtors may also make such payments using Cash received from their subsidiaries through the Reorganized Debtors' consolidated cash management system and from advances or dividends from such subsidiaries in the ordinary course.

Section 5.7. Issuance of New Common Stock

On or as soon as is practicable after the Effective Date, Reorganized Mpower Holding shall issue, in accordance with the terms of the Plan, (a) 55,250,000 shares of Reorganized Mpower Holding Common Stock to be distributed to Holders of the Mpower Holding 2010 Notes, (b) 8,775,000 shares of Reorganized Mpower Holding Common Stock to be distributed to Holders of the Mpower Holding Preferred Stock Interests and (c) 975,000 shares of Reorganized Mpower Holding Common Stock to be distributed to the Holders of the Mpower Holding Common Stock Interests. In addition, 7,222,222 shares of Reorganized Mpower Holding Common Stock shall be reserved for issuance to employees pursuant to, and in accordance with, the terms of the New Key Employee Option Plan. The issuance of Reorganized Mpower Holding Common Stock by Reorganized Mpower Holding shall be authorized without the need for any further corporate action. On the Effective Date, one thousand (1,000) shares of MCC Common Stock shall remain issued and outstanding and shall be retained by the Holders of MCC Common Stock Interests in accordance with the terms of the Plan and shall be deemed such MCC Common Stock to be shares to be held by Reorganized Mpower Holding.

Section 5.8. Listing of Reorganized Mpower Holding Common Stock; Registration of Securities

Reorganized Mpower Holding shall use its best efforts to restore its status as a reporting company under the Exchange Act and cause, on or as soon as reasonably practicable after the Effective Date, the shares of Reorganized Mpower Holding issued hereunder to be listed on the national market system of the National Association of Securities Dealers' Automated Quotation System. In addition, without limiting the effect of section 1145 of the Bankruptcy Code, Reorganized Mpower Holding shall enter into a Registration Rights Agreement with each Holder of Reorganized Mpower Holding Common Stock (a) who by virtue of holding Reorganized Mpower Holding Common Stock to be distributed pursuant to the Plan and/or its relationship with Reorganized Mpower holds more than 10% of the Registrable Securities (as defined in the Registration Rights Agreement)(determined by the number of shares at the time issued and outstanding) and (b) who requests in writing that Reorganized Mpower Holding execute such agreement; provided that with respect to demand registration rights thereunder only, such Holder has not received an opinion from counsel to Mpower Holding, reasonably satisfactory to such Holder, that such Reorganized Mpower Holding Common Stock is freely transferable.

Section 5.9. *Escrows*

Except as expressly provided in the Plan or as otherwise ordered by the Bankruptcy Court, all escrows previously established prior to and during the Chapter 11 Cases and still in existence on the Effective Date shall continue to be administered, and the escrowed funds shall be released, according to their terms and any orders of the Bankruptcy Court previously entered. Escrowed funds that are released to the Debtors after the Effective Date shall be used to achieve consummation and carry out the Plan.

Section 5.10. *New Key Employee Option Plan*

On the Effective Date, in accordance with the terms and conditions of the Noteholder Voting Agreement, Mpower Holding shall enter into a New Key Employee Option Plan that is substantially identical to the Old Option Plan. The New Key Employee Option Plan shall be subject to approval and adoption by Reorganized Mpower Holding's Board of Directors.

Section 5.11. *Partial Sale of Assets or Sale of All or Substantially All Assets*

Prior to the Effective Date, each of the Debtors' shall be permitted, subject to applicable law, to engage in transactions for (i) any merger, (ii) any consolidation, (iii) a partial sale of its assets and (iv) a sale of all or substantially all of its assets. Prior to the Effective Date, any proceeds from any partial sale of Reorganized Mpower Holding's assets may be reinvested by such Debtor in the business to fund the business plan, but may not be distributed to any member of Mpower Holding Classes 6, 7 or 8. Prior to the Effective Date, any proceeds from any merger, any consolidation or a sale of all or substantially all of Mpower Holding's assets will be distributed in accordance with the terms of the Plan subject to applicable law and the terms and conditions of the Noteholder Voting Agreement which is deemed assumed hereunder for all purposes.

ARTICLE VI

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 6.1. *Assumption of Executory Contracts and Unexpired Leases*

(a) Immediately prior to the Effective Date, all executory contracts or unexpired leases of the Reorganized Debtors will be deemed assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code except those executory contracts and unexpired leases that (1) have been rejected by Final Order of the Bankruptcy Court, (2) are the subject of a motion to reject pending on the Effective Date, (3) are identified on a list (the "List") of agreements to be rejected which List is filed with the Bankruptcy Court on or before the hearing on the confirmation of the Plan, or (4) are rejected pursuant to the terms of the Plan. The Debtors reserve their right to add or remove any executory contract or unexpired lease from the List prior to entry of the Confirmation Order by the Bankruptcy Court. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to this Article VI shall revest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law. The non-Debtor parties to any rejected subleases will be responsible for taking all steps necessary to retrieve, at their expense, all personal property in, and to surrender, the premises that are the subject of such leases.

Section 6.2. *Claims Based on Rejection of Executory Contracts or Unexpired Leases*

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases, if any, must be filed with the Bankruptcy Court within thirty (30) days after the date of entry of an order of the Bankruptcy Court approving such rejection. Any Claims arising from the rejection of an executory contract or unexpired lease not filed within such time will be forever barred from assertion against the Debtors or Reorganized Debtors, their respective Estates and property unless otherwise ordered by the Bankruptcy Court or provided for in the Plan. All such Allowed Claims for which proofs of claim are required to be filed will be, and will be treated as,

Allowed General Unsecured Claims subject to the provisions of Article III hereof, subject to any limitation on allowance of such Claims under section 502(b) of the Bankruptcy Code or otherwise.

Section 6.3. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or on such other terms as the parties to such executory contracts or unexpired leases may otherwise agree. In the event of a dispute regarding: (1) the amount of any cure payments, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption.

Section 6.4. Indemnification of Directors, Officers and Employees

The obligations of the Debtors to indemnify any Person or Entity serving at any time on or prior to the Effective Date as one of their directors, officers or employees by reason of such Person's or Entity's service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in the Debtors' constituent documents or by a written agreement with the Debtors, the Delaware General Corporation Law or the Nevada General Corporation Law, as applicable, shall be deemed and treated as executory contracts that are assumed by the Debtors pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date. Accordingly, such indemnification obligations shall be treated as General Unsecured Claims, and shall survive unimpaired and unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date.

Section 6.5. Compensation and Benefit Programs

Except as otherwise expressly provided herein, all employment and severance policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to their employees, retirees and non-employee directors and the employees and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans, vacation and life, accidental death and dismemberment insurance plans shall be treated as executory contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code whether or not such plans, policies and programs are identified on the List.

The MCC Employee Benefit Trust Agreement and the MCC Benefits Trust shall remain in full force and effect on and after the Effective Date.

ARTICLE VII

PROVISIONS GOVERNING DISTRIBUTIONS

Section 7.1. Distribution for Claims and Equity Interests Allowed as of the Effective Date

(a) Except as otherwise provided in this Article VII or as may be ordered by the Bankruptcy Court, distributions to be made on the Effective Date on account of Allowed Claims and Equity Interests that are due and owing as of the Effective Date, and entitled to receive distributions under the Plan, shall be made on the Effective Date or as soon as reasonably practicable thereafter. Distributions on account of Equity Interests that become Allowed Equity Interests after the Effective Date shall be made pursuant to Article III above.

(b) For purposes of determining the accrual of interest or rights in respect of any other payment from and after the Effective Date, the Reorganized Mpower Holding Common Stock to be issued under the Plan shall be deemed issued as of the Effective Date regardless of the date on which it is actually dated, authenticated or distributed.

Section 7.2. *Distribution by the Reorganized Debtors; Distributions with Respect to the Mpower Holding 2010 Notes*

The Reorganized Debtors may designate an entity or entities to serve or may serve themselves as Disbursing Agents to make all distributions under the Plan. Notwithstanding the provisions of Article V above regarding the cancellation of the Mpower Holding 2010 Notes Indenture, the Mpower Holding 2010 Notes Indenture shall continue in effect to the extent necessary to allow Mpower Holding or the Mpower Holding 2010 Notes Indenture Trustee to receive and make distributions pursuant to the Plan on account of the Mpower Holding 2010 Notes. The Mpower Holding 2010 Notes Indenture Trustee providing services related to distributions to the Holders of Allowed Claims on account of the Mpower Holding 2010 Notes shall be entitled to seek reasonable compensation from Reorganized Mpower Holding, with such approval as the Bankruptcy Court may require for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments shall be made on terms agreed upon with Reorganized Mpower Holding and approved by the Bankruptcy Court.

Section 7.3. *Delivery and Distributions and Undeliverable or Unclaimed Distributions*

(a) *Delivery of Distributions in General.* Distributions to Holders of Allowed Claims or Equity Interests shall be made at the address of the Holder of such Claim as indicated in the records of the Debtors. Except as otherwise provided by the Plan or the Bankruptcy Code with respect to undeliverable distributions, distributions to Holders of Mpower Holding 2010 Note Claims shall be made to the Mpower Holding 2010 Notes Indenture Trustee under the Mpower Holding 2010 Notes Indenture for further distribution to the Holders of the Mpower Holding 2010 Notes. Distributions shall be made in accordance with the provisions of the applicable indenture, participation agreement, loan agreement or analogous instrument or agreement and the provisions of the Plan, and distributions shall be made to Holders of record as of the Distribution Record Date.

(b) *Undeliverable Distributions.*

- (i) *Holding of Undeliverable Distributions.* If any Allowed Claim or Equity Interest Holder's distribution is returned to the Reorganized Debtors as undeliverable, no further distributions shall be made to such Holder unless and until the Reorganized Debtors are notified in writing of such Holder's then current address. Undeliverable distributions shall remain in the possession of the Reorganized Debtors pursuant to this Article VII until such time as a distribution becomes deliverable. Undeliverable Cash shall not be entitled to any interest, dividends or other accruals of any kind.
- (ii) *After Distributions Become Deliverable.* Within 20 days after the end of each calendar quarter following the Effective Date, the Reorganized Debtors shall make all distributions that become deliverable during the preceding calendar quarter.
- (iii) *Failure to Claim Undeliverable Distributions.* Any Holder of an Allowed Claim or Equity Interest that does not assert a Claim or Equity Interest pursuant to the Plan for an undeliverable distribution within one year after the Effective Date shall have its Claim or Equity Interest for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against or Equity Interest in the Reorganized Debtors or its property. In such cases: (A) any Cash held for distribution on account of such Claims shall be the property of the Reorganized Debtors, free of any restrictions thereon and (B) any Reorganized Mpower Holding Common Stock held for distribution on account of such Claims or Equity Interests shall be canceled and of no further force or effect. Nothing contained in the Plan shall require the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim or Equity Interest.
- (iv) *Compliance with Tax Requirements.* Any federal, state or local withholding taxes or amounts required to be withheld under applicable law shall be deducted from distributions hereunder. All Entities holding Claims shall be required to provide any information necessary to effect the withholding of such taxes.

Section 7.4. *Distribution Record Date*

As of the close of business on the Distribution Record Date, the transfer registers for the Mpower Holding 2010 Notes, as maintained by the Debtors, the Indenture Trustee, or their respective agents, shall be closed and the transfer of Mpower Holding 2010 Notes, or any interest therein, will be prohibited. Moreover, neither Reorganized Mpower Holding nor the Mpower Holding 2010 Notes Indenture Trustee shall have any obligation to recognize the transfer of any Mpower Holding 2010 Notes occurring after the Distribution Record Date for purposes of the Distributions contemplated under the Plan, and shall be entitled for all purposes herein to recognize and deal only with those Holders of Mpower Holding 2010 Notes of record as of the close of business on the Distribution Record Date.

Section 7.5. *Timing and Calculation of Amounts to Be Distributed*

On or as soon as practicable after the Effective Date, each Holder of an Allowed Claim against or Equity Interest in the Debtors shall receive the full amount of the Distributions that the Plan provides for such Allowed Claims or Equity Interests in the applicable Class. Beginning on the date that is 20 calendar days after the end of the calendar quarter following the Effective Date and 20 calendar days after the end of each calendar quarter thereafter, distributions shall also be made, pursuant to Section 8.4 below, to Holders of Disputed Claims or Equity Interests in any such Class whose Disputed Claims or Equity Interests were allowed during the preceding calendar quarter. Such quarterly distributions shall also be in the full amount that the Plan provides for Allowed Claims or Allowed Equity Interests in the applicable Class.

Section 7.6. *Setoffs and Recoupments*

The Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim or Equity Interest and the distributions to be made pursuant to the Plan on account of such Claim or Equity Interest (before any distribution is made on account of such Claim or Equity Interest), the claims, rights and Causes of Action of any nature that the Debtors or Reorganized Debtors may hold against the Holder of such Allowed Claim or Equity Interest; *provided, however*, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim or Equity Interest hereunder shall constitute a waiver or release by the Debtors or Reorganized Debtors of any such claims, rights and Causes of Action that the Debtors or Reorganized Debtors may possess against such Holder.

Section 7.7. *Surrender of Canceled Instruments or Securities*

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim or Equity Interest evidenced by the instruments, securities or other documentation canceled pursuant to Article V above, the Holder of such Claim or Equity Interest shall tender the applicable instruments, securities or other documentation evidencing such Claim or Equity Interest to the Reorganized Debtors unless waived in writing by the Debtors or the Reorganized Debtors. Any Reorganized Mpower Holding Common Stock to be distributed pursuant to the Plan on account of any such Claim shall, pending such surrender, to the extent required under the Plan, be treated as an undeliverable distribution pursuant to Section 7.3 above.

(a) *Mpower Holding 2010 Notes.* On or prior to the Effective Date, each Holder of a Mpower Holding 2010 Notes Claim shall tender its Mpower Holding 2010 Notes relating to such Claim to Reorganized Mpower Holding in accordance with written instructions to be provided to such Holders by Mpower Holding, Reorganized Mpower Holding or the Mpower Holding 2010 Notes Indenture Trustee. Such instructions shall specify that delivery of Mpower Holding 2010 Notes will be effected, and risk of loss and title thereto will pass, only upon the proper delivery of such Mpower Holding 2010 Notes with a letter of transmittal in accordance with such instructions. All surrendered Mpower Holding 2010 Notes shall be marked as canceled.

(b) *Mpower Holding 2010 Notes Indenture.* To the extent that the Mpower Holding 2010 Notes Indenture is not an executory contract rejected pursuant to Section 6.2 hereof (which rejection shall not give rise to rejection damages or additional Claims by the Holders of the Mpower Holding 2010 Notes or the Mpower Holding 2010 Notes Indenture Trustee), the rights and obligations of either of the Debtors, if any, under the Mpower Holding 2010

Notes Indenture shall be deemed canceled pursuant to § 1123(a)(5)(F) of the Bankruptcy Code on the Effective Date. Notwithstanding the rejection or cancellation of the Mpower Holding 2010 Notes Indenture, such rejection or cancellation shall not impair the rights of the Holders of Allowed Mpower Holding 2010 Note Claims to receive Distributions on account of such Mpower Holding 2010 Notes under the Plan pursuant to and in accordance with the Mpower Holding 2010 Notes Indenture, and the Mpower Holding 2010 Notes Indenture shall continue in effect to the extent necessary to allow the Mpower Holding 2010 Notes Indenture Trustee to receive Distributions pursuant to the Plan and make distributions under the Mpower Holding 2010 Notes Indenture on account of the Mpower Holding 2010 Notes Indenture Trustee required under the provisions of the Plan and the Confirmation Order, the Mpower Holding 2010 Notes Indenture Trustee, and its respective successors and assigns, shall be relieved of all obligations associated with the Mpower Holding 2010 Notes Indenture.

(c) *Failure to Surrender Canceled Instruments.* Any Holder of Mpower Holding 2010 Notes that fails to surrender or is deemed to have failed to surrender the applicable Mpower Holding 2010 Notes required to be tendered hereunder within one year after the Effective Date shall have its Claim for a distribution pursuant to the Plan on account of such Mpower Holding 2010 Notes discharged and shall be forever barred from asserting any such Claim against the Reorganized Debtors or their respective property. In such cases, any Reorganized Mpower Holding Common Stock held for distribution on account of such Claim shall be disposed of pursuant to the provisions set forth above in Section 7.3.

Section 7.8. Lost, Stolen, Mutilated or Destroyed Debt Securities

In addition to any requirements under the Mpower Holding 2010 Notes Indenture, or any related agreement, any Holder of a Claim evidenced by a Mpower Holding 2010 Note that has been lost, stolen, mutilated or destroyed shall, in lieu of surrendering such Mpower Holding 2010 Note, deliver to Reorganized Mpower Holding: (i) evidence reasonably satisfactory to Reorganized Mpower Holding of the loss, theft, mutilation or destruction; and (ii) such security or indemnity as may be required by Reorganized Mpower Holding to hold Reorganized Mpower Holding harmless from any damages, liabilities or costs incurred in treating such individual as a Holder of an Allowed Claim. Upon compliance with this Article VII by a Holder of a Claim evidenced by an Mpower Holding 2010 Note, such Holder shall, for all purposes under the Plan, be deemed to have surrendered such note, debenture or bond.

Section 7.9. Fractional Shares

No fractional shares of Reorganized Mpower Holding Common Stock in lieu thereof shall be distributed. When any issuance of a fraction of a share of Reorganized Mpower Holding Common Stock would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of .50 or more than .50) of such fraction to the nearest whole Reorganized Mpower Holding Common Stock share or a rounding down of such fraction (in the case of less than .50).

Section 7.10. Rounding and De Minimis Amounts

Notwithstanding any other provision of the Plan, payments of fractions of Dollars shall not be made. Whenever any payment of a fraction of a Dollar under the Plan would otherwise be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole Dollar (up or down), with half Dollars being rounded up. If a cash payment otherwise provided for by the Plan with respect to an Allowed Claim would be less than ten (\$10.00) Dollars (whether in the aggregate or on any payment date provided in the Plan), notwithstanding any contrary provision of the Plan, the Distribution Agent shall not be required to make such payment unless a request therefor is made in writing to the Distribution Agent.

Section 7.11. Manner of Payment under Plan of Reorganization

At the option of the Disbursing Agent, any Cash payment, if any, to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

ARTICLE VIII

PROCEDURES FOR RESOLVING DISPUTED CLAIMS

Section 8.1. Characterization of Disputed Claims

Pursuant to subsection 1111(a) of the Bankruptcy Code, a proof of claim is deemed filed under section 501 of the Bankruptcy Code if that Claim is included in the Schedules filed under section 521 or 1106(a)(2) of the Bankruptcy Code and is deemed filed in the amount listed on the Schedules, except if the Claim is scheduled as disputed, contingent, or unliquidated. Such a disputed, contingent, or unliquidated Claim must be asserted by its Holder, or an indenture trustee representing such Holder, by the timely filing of a proof of claim. If a proof of claim is not filed in a timely manner, the Claim shall be deemed to be barred and/or otherwise disallowed. Any Administrative Claim that is not timely filed in accordance with Section 2.01 of the Plan shall be barred.

Section 8.2. Prosecution of Objections to Claims and Equity Interests

From and after the Confirmation Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim or Disputed Equity Interests without approval of the Bankruptcy Court and shall have the exclusive authority to file objections, contest, settle, compromise, withdraw or litigate to judgment objections to Claims and Equity Interests.

Any objections to Claims and Equity Interests (other than Claims and Equity Interests Allowed by the Plan) shall be filed by the latest of (i) one hundred twenty (120) days after the Effective Date, (ii) thirty (30) days after a proof of Claim, proof of Equity Interest or application for an Administrative Claim is filed and properly served upon the Debtors, or (iii) such later date as may be fixed by the Bankruptcy Court.

Section 8.3. Estimation of Claims

The Debtors or the Reorganized Debtors, as the case may be, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (and after the Effective Date, the Reorganized Debtors) may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court, except that after the Effective Date the Reorganized Debtors may compromise, settle or resolve any such Claims without further Bankruptcy Court approval.

Section 8.4. Payments and Distributions on Disputed Claims or Disputed Equity Interests

Notwithstanding any provision in the Plan to the contrary, except as otherwise agreed by the Reorganized Debtors in their sole discretion, no partial payments and no partial distributions will be made with respect to a Disputed Claim or Equity Interest until the resolution of such disputes by settlement or Final Order. Subject to the provisions of this Article VIII, as soon as practicable after a Disputed Claim or Equity Interest becomes an Allowed Claim or Equity Interest, the Holder of such Allowed Claim or Equity Interest will receive all payments and distributions to which such Holder is then entitled under the Plan. Notwithstanding the foregoing, any Person or Entity who holds both an Allowed Claim(s) or Equity Interest and a Disputed Claim(s) or Equity Interest will receive the appropriate payment or distribution on the Allowed Claim(s) or Equity Interest, although, except as otherwise agreed by the Reorganized Debtors in their sole discretion, no payment or distribution will be made on the Disputed Claim(s) or Equity Interest until such dispute is resolved by settlement or Final Order. Unless otherwise

ordered by the Bankruptcy Court, none of the Debtors or the Reorganized Debtors shall be obligated to establish any reserves in respect of any Disputed Claim or Equity Interest.

ARTICLE IX

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Section 9.1. Conditions Precedent to Confirmation

The confirmation of the Plan shall be subject to the condition precedent that the Bankruptcy Court shall have approved and entered the Confirmation Order on the docket for the Chapter 11 Cases by the Clerk of the Bankruptcy Court;

Section 9.2. Conditions Precedent to Consummation

The consummation of the Plan shall be subject to the following conditions precedent which shall have been satisfied or waived pursuant to the provisions of Section 9.3 hereof:

(a) ten days shall have passed since the entry of the Confirmation Order, and the Confirmation Order shall have become a Final Order;

(b) the Amended Certificate of Incorporation of Mpower Holding shall have been filed with the Secretary of State of the State of the Delaware;

(c) the Amended Certificate of Incorporation of MCC shall have been filed with the Secretary of State of the State of Nevada;

(d) all authorizations, consents and regulatory approvals required (if any) in connection with the effectiveness of the Plan shall have been obtained; and

(e) all other actions and documents necessary to implement the provisions of the Plan on the Effective Date shall have been, respectively, effected or duly executed and delivered.

Section 9.3. Waiver of Conditions

The Debtors may waive any of the conditions precedent to confirmation of the Plan or to consummation of the Plan set forth in this Article IX at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to confirm or consummate the Plan.

Section 9.4. Effect of Non-Occurrence of Conditions to Consummation

If the Confirmation Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; (2) prejudice in any manner the rights of the Debtors, or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors in any respect.

ARTICLE X

RELEASE, INJUNCTIVE AND RELATED PROVISIONS

Section 10.1. Releases

In consideration of the contributions of certain parties to the Chapter 11 Cases to be commenced by the Debtors including, but not limited to the waiver by certain parties (or their Affiliates) of rights against the Debtors, the Plan provides for certain waivers, exculpations, releases and injunctions.

(a) *Releases by Debtors and Reorganized Debtors.* As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors and Reorganized Debtors in their individual capacities and as Debtor-In-Possession, shall be deemed to have (i) forever released, waived and discharged all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or Reorganized Debtors to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date since the beginning of time in any way relating to the Debtors, the Reorganized Debtors, the parties released pursuant to this Section 10.1, the Chapter 11 Case, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtors or their Estates or the Reorganized Debtors or their Estates against (A) the D&O Releasees (other than for money borrowed from or owed to the Debtors or their subsidiaries by any such D&O Releasee as set forth in books and records) and (B) the members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives and (ii) forever covenanted with the D&O Releasees and members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives, not to sue, assert any claim against or otherwise seek recovery from, any D&O Releasee or members of the *Ad Hoc* Committee and their directors, officers, employees, attorneys financial advisors, agents and representatives, whether based on tort, fraud, contract or otherwise, in connection only with any Released Liabilities of the D&O Releasees or members of the *Ad Hoc* Committee or and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives.

(b) *Releases by Holders of Claims and Equity Interests.* On the Effective Date, (i) each holder of a Claim or Equity Interest that voted to accept the Plan and (ii) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, all other holders of Claims and Equity Interests, in consideration for the obligations of the Debtors and Reorganized Debtors under the Plan and the Reorganized Mpower Holding Common Stock, and other contracts, instruments, releases, agreements or documents to be delivered in connection with the Plan, each Holder that has held, holds or may hold a Claim or Equity Interest, as applicable, will be deemed to have (A) forever released, waived and discharged all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities (other than the right to enforce the Debtors' or Reorganized Debtors' obligations under the Plan, and the contracts, instruments, releases, agreements and documents delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date since the beginning of time in any way relating to the Debtors, the parties released pursuant to this Section 10.1(b), the Chapter 11 Cases, the Plan or the Disclosure Statement against (1) the D&O Releasees (other than claims or interests unrelated to the Debtors) and (2) the members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents, and representatives, and (B) forever covenanted with each D&O Releasees and members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives, not to sue, assert any claim against or otherwise seek recovery from, any D&O Releasee or members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives, whether based on tort, fraud, contract or otherwise in connection only with respect to any Released Liabilities of the D&O Releasees or members of the *Ad Hoc* Committee and their respective directors, officers, employees, attorneys, financial advisors, agents and representatives.

(c) No release under this Section 10.1 shall be deemed to have been given or effective with respect to any Holder of a Claim or Equity Interest that voted to accept the Plan who submitted a Ballot which is duly marked to indicate that such Holder is not granting such release.

Section 10.2. *Avoidance and Recovery Actions*

Effective as of the Effective Date, the Debtors release and waive the right to prosecute any avoidance or recovery actions under sections 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code or any other Causes of Action or rights to payments of Claims that belong to or could have been raised by the Debtors or their respective Estates, except for any such action which may be pending on the Effective Date as to which the

Reorganized Debtors' rights shall not be waived and released and the Reorganized Debtors shall retain and may prosecute any such actions; provided, however, that the Debtors specifically release and waive the right to prosecute any Avoidance Actions against the members of the *Ad Hoc* Committee and their directors, officers, employees, attorneys, financial advisors, agents and representatives.

Section 10.3. *Exculpation*

None of the Debtors, the Reorganized Debtors, the Disbursing Agent or the members of the *Ad Hoc* Committee nor any of their respective current or former members, directors, officers, shareholders, employees, attorneys, financial advisors, agents and representatives shall have or incur any liability to, or be subject to any right of action by, any Holder of any Claim or Equity Interest, or any other party in interest, or any of their respective members, directors, officers, shareholders, employees, attorneys, financial advisors, agents and representatives, or any of their successors or assigns for any act or omission in connection with, or arising out of the Debtors' restructuring, the Chapter 11 Cases, the Disclosure Statement, the Plan, the Plan Documents, the Voting Agreements, the solicitation of votes for, and the pursuit of, confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition activities leading to the promulgation and confirmation of the Plan except for willful misconduct or gross negligence as determined by a Final Order of the Bankruptcy Court. The foregoing parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Section 10.4. *Injunction*

Except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that all Entities who have held, hold or may hold Claims against or Equity Interests in the Debtors are, with respect to those Claims and Equity Interests, permanently enjoined, on and after the Confirmation Date, from:

(a) (i) asserting, commencing or continuing in any manner any action against the Debtors or the Reorganized Debtors or their Affiliates, any action against any of the assets of the Debtors or the Reorganized Debtors or their Affiliates, and any other or further Claim or Equity Interest based upon any document, instrument or act, omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date, (ii) the enforcement, attachment, collection or recovery, by any manner or means of any judgment, award or decree or order against the Debtors or the Reorganized Debtors or their Affiliates, (iii) creating, perfecting or enforcing any Lien of any kind against the Debtors, the Reorganized Debtors or their Affiliates, (iv) asserting any setoff, right of subrogation or recoupments of any kind against any obligation due the Debtors, the Reorganized Debtors or their Affiliates, and (v) any action, in any manner, in any place whatsoever, that does not conform or comply with the Plan; and

(b) all Persons and Entities are permanently enjoined from commencing or continuing in any manner, any suit, action or other proceeding, on account of or respecting any Claim, Equity Interest, interest, obligation, debt, right, remedy or liability released or to be released pursuant to this Article X; *provided, however*, that this injunction shall not preclude police or regulatory agencies from fulfilling their statutory duties.

ARTICLE XI

RETENTION OF JURISDICTION

Section 11.1. *Retention of Jurisdiction*

Notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain such jurisdiction as legally permissible, including, without limitation, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any

Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;

(b) Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;

(c) Resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which the Debtors are party or with respect to which the Debtors may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to the amendment after the Effective Date pursuant to Article VI above to add any executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be rejected;

(d) Ensure that distributions to Holders of Allowed Claims or Allowed Equity Interests are accomplished pursuant to the provisions of the Plan, including ruling on any motion filed pursuant to Article VIII;

(e) Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(f) Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan, including, but not limited to, modification or amendment thereof pursuant to Section 12.4 of the Plan, and all contracts, instruments, releases, indentures and other agreements or documents created under, or in connection with, the Plan or the Disclosure Statement;

(g) Resolve any cases, controversies, suits or disputes that may arise in connection with the interpretation or enforcement of the Plan or any Person's or Entity's obligations incurred under, or in connection with, the Plan;

(h) Issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the occurrence of the Effective Date or enforcement of the Plan, except as otherwise provided herein;

(i) Resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article X and enter such orders as may be necessary or appropriate to implement such releases, injunction and other provisions;

(j) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

(k) Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created under, or in connection with, the Plan or the Disclosure Statement;

(l) Enter an order or final decree concluding the Chapter 11 Cases;

(m) Resolve disputes concerning any reserves with respect to Disputed Claims, Disputed Equity Interests or the administration thereof;

(n) Resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Cases, the applicable Claims Bar Date, the hearing on the approval of the Disclosure Statement as containing adequate information, the hearing on the confirmation of the Plan for the purpose of determining whether a Claim or Equity Interest is discharged hereunder or for any other purpose;

(o) Recover all assets of the Debtors and property of the Estates, wherever located, including any Causes of Action under sections 544 through 550 of the Bankruptcy Code to the extent not released and waived pursuant to the terms and conditions of the Plan; and

(p) Hear and resolve all matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1. *Dissolution of Committees*

On the Effective Date, all Committees shall dissolve and members shall be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases.

Section 12.2. *Payment of Statutory Fees*

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date.

Section 12.3. *Discharge of Debtors*

Except as otherwise provided herein or the Confirmation Order, pursuant to section 1141(d) of the Bankruptcy Code, (1) the rights afforded in the Plan and the treatment of all Claims and Equity Interests therein, shall be in exchange for and in complete satisfaction, discharge and release of Claims and Equity Interests of any nature whatsoever, known or unknown, including any interest accrued or expenses incurred on such Claims from and after the Petition Date, against the Debtors, the Reorganized Debtors, or any of their Estates, assets or properties, (2) on the Effective Date, all such Claims against, and Equity Interests in the Debtors shall be satisfied, discharged and released in full and (3) all Persons and Entities shall be precluded from asserting against the Reorganized Debtors, their successors or their assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

Section 12.4. *Modification of Plan*

The Debtors reserve the right to alter, amend or modify the Plan prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

Section 12.5. *Revocation or Withdrawal of Plan*

The Debtors reserve the right to revoke and withdraw the Plan at any time prior to the Confirmation Date. If the Plan is so revoked or withdrawn, or if the Effective Date does not occur, then the Plan shall be deemed null and void, and of no force or effect.

Section 12.6. *Successors and Assigns*

The rights, benefits and obligations of any Person or Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign of such Person or Entity.

Section 12.7. *Reservation of Rights*

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained herein, or the

taking of any action by the Debtors with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

Section 12.8. *Section 1145 Exemption*

Pursuant to section 1145(a) of the Bankruptcy Code, any offer, issuance, transfer or exchange of Reorganized Mpower Holding Common Stock under the Plan, or the making or delivery of an offering memorandum or other instrument of offer or transfer related thereto under the Plan shall be exempt from section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer or a security.

Section 12.9. *Headings*

Headings utilized in the Plan are for the convenience of reference only and shall not constitute a part of the Plan for any other purpose.

Section 12.10. *Governing Law*

Except to the extent that the Bankruptcy Code or other federal law is applicable, the Plan shall be governed by and construed in accordance with the laws of the State of New York.

Section 12.11. *Severability*

Except as to terms which would frustrate the overall purposes of the Plan, should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of the Plan.

Section 12.12. *Implementation*

The Debtors shall take all steps, and execute all documents, including appropriate releases, necessary to effectuate the provisions contained in the Plan.

Section 12.13. *Inconsistency*

In the event of any inconsistency among the Plan, the Disclosure Statement, the Plan Documents, any exhibit to the Plan or any other instrument or document created or executed pursuant to the Plan, the provisions of the Plan shall govern.

Section 12.14. *Further Assurances*

The Debtors, the Reorganized Debtors and all Holders of Claims and Equity Interests receiving distributions under the Plan and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

Section 12.15. *Service of Documents*

Any pleading, notice or other document required by the Plan to be served on or delivered to the Debtors shall be sent by first class U.S. mail, postage prepaid to:

Mpower Holding Corporation
175 Sully's Trail, Suite 200
Pittsford, NY 14534
Attn: Russell I. Zuckerman, Esq.

with copies to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
Attn: Douglas P. Bartner, Esq.,

and

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building Center
1000 West Street, 17th Floor
Wilmington, Delaware 19899-0391
Attn: Pauline K. Morgan, Esq.

Section 12.16. Jurisdiction over Reorganized Mpower Holding and Reorganized MCC

Notwithstanding the jurisdiction retained in Article XI hereof, from and after the Effective Date, the Bankruptcy Court shall not have the power to issue any order which modifies the Reorganized Mpower Holding Common Stock or Reorganized MCC Common Stock or the rights of the holders thereof with respect to such Common Stock.

Section 12.17. Exemption from Certain Transfer Taxes

Pursuant to section 1146 of the Bankruptcy Code: (a) the issuance, transfer or exchange of any securities, instruments or documents; (b) the creation of any other Lien, mortgage, deed of trust or other security interest; (c) the making or assignment of any lease or sublease or the making or delivery of any deed or other instrument of transfer under, pursuant to, in furtherance of, or in connection with the Plan, including, without limitation, any deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan or the reinvesting, transfer or sale of any real or personal property of the Debtors pursuant to, in implementation of, or as contemplated in the Plan, and (d) the issuance, renewal, modification or securing of indebtedness by such means, and the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, the Confirmation Order, shall not be subject to any document recording tax, stamp tax, conveyance fee or other similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument without requiring the payment of any filing fees, documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

Section 12.18. Compromise of Controversies

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Reorganized Debtors, the Estates, and any Entity holding Claims against the Debtors.

Section 12.19. No Admissions

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by an Entity with respect to any matter set forth herein.

Section 12.20. *Filing of Additional Documents*

On or before the Effective Date, the Debtors may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Respectfully Submitted,

MPower Holding Corporation

By: 

Name:

Russell Zucker

Title:

Sr VP Gen Counsel & Secy

MPower Communications Corp.

By: 

Name:

Russell Zucker

Title:

Sr VP, Gen Counsel & Secy

EXHIBIT A

[TO BE SUPPLIED]

EXHIBIT B

[TO BE SUPPLIED]

EXHIBIT C

[TO BE SUPPLIED]

EXHIBIT D

[TO BE SUPPLIED]